

SDEL/Coors Merger Inquiry

Key arguments and views of third parties

Industry background: TS

1. A trade association said that it believed that about 2,000 people work in the installation and repair industry and there were 1,000 independent operators. The majority of these independent operators were thought to be small companies acting locally under contract to brewers. The industry is believed to have a turnover of approximately £40m a year.
2. A brewer said that there was a very close linkage between ownership and servicing of TSE assets.
3. CAMRA said that the technical services market was much more developed overseas, and it expected the market in the UK to increase.
4. A TS provider said that to remain profitable it needed each technician to average five jobs a day. The job rate would vary according to the density of outlets; in a city centre a technician might do eight or nine jobs a day while in more outlying areas he could only do two or three.
5. Technicians said that the skills required in the sector were similar to those needed by electricians and plumbers. The work was becoming more skilled as technology advanced and there was now an NVQ in TS.
6. Technicians said that TS skills were transferable but traditionally there had been little mobility between brewers. There had been little recruitment by the brewers in recent years and the workforce was ageing.
7. A third party said that retailers were looking for a 'one-stop-shop' for all TS relating to equipment for beer dispense. This was due to the unwinding of vertical integration and the diversity of beers available in a single outlet.
8. A retailer said that TS supply is more difficult on a tenanted than a managed estate due to equipment being changed more regularly.
9. Two retailers said that service standards for TS were perceived to be falling within the industry. Brewers had a diminishing interest in TS and TSE and perceived it as a cost to their business that they did not want.
10. A third party said that it perceived there to be considerable dissatisfaction within the TS market from both brewers and pub companies. For the pub companies this related to their lack of control over services to their outlets. For the brewers it related to the fact that the activity is non-core.
11. CAMRA said that the major brewers were taking less responsibility for TS and TSE. It was also low down the list of priorities for the pub companies. This had an impact on the quality of beer, particularly cask beer. Cask Marque had been pushing to improve the quality of dispense systems for cask beers.

12. A retailer said that retailers were interested in taking ownership and control of service standards to meet increasingly demanding customer expectations. This did not necessarily mean that they were interested in buying the equipment.
13. A retailer said that historic contracts between brewers and retailers contained insufficient service level agreements, or none at all. When legacy contracts came to an end, brewers would need to renegotiate beer price separate to the cost of TS.
14. A retailer said that it was difficult to get existing suppliers of TS to conform to high quality standards. It had not been possible to raise service standards and there were no economic penalties for failure to meet existing standards. There had been a marked decline in service levels over recent years.
15. A TS provider said that the most important unique selling proposition for an independent third party TS supplier was performance guarantees. Traditionally, TS suppliers as sub-contractors have had to conform to contracts containing strict KPI's, whereas brewers were not regulated in this way through their own contracts with retailers.
16. A retailer said it was unhappy with the current level of investment in new technology and response times for changing over products, but otherwise were satisfied with current TS service levels.
17. A TS provider said that independent TS suppliers provided a much better service than the brewers could do. Their technicians were trained to deal with a much wider range of products, including soft drink dispense, and worked out-of-hours, unlike technicians employed by brewers who worked nine to five.
18. A brewer said that the four major brewers currently had very little interest in cask ale and there was a question as to whether they were able or sufficiently interested in servicing dispense equipment for cask ale to the required standards. Hand-pull equipment was much cheaper to install than keg equipment. Hand-pull equipment needed significant investment to improve the quality of beer at dispense, and major brewers were reluctant to do this.
19. A retailer said that outsourcing of TS to third parties had not produced costs savings for the retailer, but may do in the long term. The main advantage of outsourcing has been considerable improvement in service levels.
20. A brewer said that it used around 70 percent in-house technical service staff and 30 per cent sub-contractors. It predicted that it would probably use sub-contractors more in the future and as a general proposition did not consider that there was a qualitative difference between in-house and outsourced staff.
21. A TS provider said that Innserve had an ageing workforce and unless it was prepared to make a very significant investment in recruitment and training would be forced to rely more and more heavily on outsourcing.
22. A third party said that subcontractors were primarily used for installations, out-of-hours working and remote physical locations. Technicians were often sub-contracted by a number of different TS suppliers and brewers.
23. A TS provider said that TS subcontractors cost £12,000 less a year to employ and were 25 per cent more efficient.

Industry background: TSE

24. A trade association said that the total value of existing equipment was estimated at £350 million with a yearly 'churn' of about 25 per cent, that is, about £80 million of new or refurbished components (both branded and generic) were purchased each year. This equates to about £5,300 per outlet.
25. A trade association said that it estimated that SDEL owned about £115 million worth of assets and the addition of Coors would bring that to £200m. Of the £80 million annual spend SDEL and Coors would account for £60 million.
26. A retailer said that the brewers were reluctant to purchase new equipment which meant that maintenance costs were higher than they should be.
27. CAMRA said that it was cheaper to service hand pumps than the dispense equipment for keg beer.
28. A trade association said that it estimated that about 80 per cent of TSE was manufactured in the UK.
29. SIBA said that there had been considerable improvement in drinks equipment dispense through innovation in the past ten years.
30. A retailer, a third party, a TS provider and a brewer told us that overall there has been little innovation in cellar equipment in recent years.
31. A brewer said that some brewers have an accounting policy which overvalued their assets.
32. A brewer said that it would be happy to sell off its TSE assets as long as they would not be controlled by a monopoly owner.
33. A brewer said that it could not foresee retailers in tenanted estates wanting to own their own TSE assets. It considered that managed estates might consider purchasing TSE assets, but every indication was that there was no reason for them to do so.

Industry background: Beer

34. A retailer said that the major brewers were not very interested in cask ale.
35. A brewer said that the beer market had been consolidating so that it now consisted of fewer brands, and was dominated by lager beers. It was becoming more difficult for ale brewers to compete in the free market.
36. A brewer said that both brewers and pub companies were consolidating to maximize their margins. The wholesalers were relatively unconsolidated.
37. A brewer said that power within the industry had shifted from the historic vertically integrated brewers, with more power being wielded by pub chains, buying groups and supermarkets.
38. Matthew Clark (a wholesaler within the Constellation group) and a retailer said that the unwinding of vertical integration had allowed the growth of pub chains which in turn had opened up national markets for regional brewers.
39. SIBA said that there was currently a benevolent attitude towards the microbrewer. Access to the bar for small brewers was not currently an issue.

40. SIBA said that there were about 450 brewers in the UK. The introduction of Small Brewer Relief had encouraged a lot of new start-ups and the independent sector's output had grown by 9 per cent annually for the last three years.
41. Matthew Clark (a wholesaler within the Constellation group) said that the Beer Orders had not benefited independent wholesalers because the brewers retained control of the route to market.

Industry background: FBI

42. A brewer said that agreements made under the FBI appeared to have become the industry standard to a large extent.
43. A brewer said that arguably SDEL was formed because the 'must-buy must-sell' provisions within the FBI did not work very well. The provisions did not allow for differing asset values and this was problematic. The current infrastructure and IT systems for dealing with 'must-buy must-sell' were also inadequate.
44. A TS provider said that one effect of the FBI had been to lower engineering standards in relation to dispense equipment. Investment in equipment would lower servicing costs in the long run but the FBI reduced incentives for investment in equipment.
45. A retailer said that the principal supplier arrangement under the FBI created a potential conflict of interest for major brewers when asked to supply a diversity of brands.

Market definition and market share

46. A TS provider said that currently the markets for beer/cider and soft drinks TS provision were separate, but these might become a single market in the future.
47. A TS provider said that around 40 per cent of its technicians were trained to service both soft drinks and beer. It took around four to five months to train a technician.
48. A retailer said that one third party TS supplier was able to service equipment for beer, cider, soft drinks and wine. However, service levels for specialist soft drinks engineers were generally low, given the greater reliance on bottled product, so it would be difficult to expand service provision to beer equipment.
49. A brewer and TS technicians said that technicians should be able to service equipment for all brands, but that soft drinks equipment required different technical skills.
50. A TS provider and a third party told us that TS technicians did not have the right skills to be able to service gas.
51. A third party said that existing TS technicians' skills equipped them to service beer equipment (across a range of brands) rather than pub facilities generally.
52. A brewer thought that TS providers could move into facilities management but it was not a current trend.
53. A retailer said that whilst branded equipment was less easy to switch between suppliers, generic and branded equipment was sourced through the same supplier.

54. A brewer said that TS and TSE are likely to remain separate markets because there had been no tendency for consolidation between equipment manufacturers and TS providers.
55. A third party considered that Scotco, Carlsberg and Coors' market share for TSE and TS was likely to be higher than the 60 per cent indicated by their share of beer supply, since the remaining major brewer, Interbrew, was less often the principal supplier, and the 15 per cent of the market controlled by vertically integrated regional brewers should not be considered as open to competition.
56. A retailer said that the market share in TSE and TS for the merged entity was more than 60 per cent.
57. Technicians said that market share in TS and TSE can be inferred from market share in beer but the relationship is not direct. Brewers compete to get more taps on every bar to get a small increase in volume.
58. A brewer said that the market share of SDEL/ Innserve (including Coors) was likely to be up to 15 percentage points lower than their share of beer supply, due to people choosing to contract independently for TS, and other factors.
59. A brewer said that it estimated SDEL currently to own around 44 percent of the total amount of beer dispense equipment in the UK, and that after the merger this would rise to around 67 percent.
60. A brewer said that the combined share of the market held by the brewers involved in SDEL could effectively be as much as 85 or 90 per cent if the total amount of equipment within an outlet was counted together for the purposes of principal supplier status.

Barriers to entry

61. A retailer said that the FBI 'must-buy must-sell' arrangements required paperwork and infrastructure that were particularly onerous for a third party TS supplier and could make entry into the market more difficult.
62. Technicians said that the brewers' ownership of TSE was hampering the full development of the independent TS supply sector.
63. A brewer said that it would be possible for an independent TSE owner to buy equipment from the brewers and lease it back to retailers, but it would need to be on a large scale to be economically viable.
64. A retailer said that the brewers' continued ownership of TSE assets could be seen as a barrier to entry to the TS and TSE markets, and potentially restricted the supply of beer from smaller brewers.
65. A third party said that it did not consider it to be possible to operate as a primary technical services operator without being the owner of the assets, because of the need to take the decision when to repair or replace. It also considered that retailers had no interest in owning these assets.
66. A TS provider said that soft drinks companies had not been particularly obstructive in letting third party TS suppliers access their dispense equipment.

67. A retailer said that the brewers' continued ownership of TSE assets could be seen as a barrier to entry to the TS and TSE markets, and potentially restricted the supply of beer from smaller brewers.
68. A retailer said that there was no evidence currently of principal suppliers using their control of equipment to disadvantage other brewers supplying the same establishment.
69. A brewer said that pub companies would be unlikely to want to buy their own TSE assets with their current levels of debt. They estimated the average depreciated cost of equipment in the cellar to be around £3,000 per outlet.
70. Two retailers said that the brewers had very little management information on the TSE that they owned and did not depreciate it in a commercial way. Existing information such as maintenance records was not transferred when the principal supplier changed. This meant that it would be difficult for retailers to purchase the TSE in their pubs. Not only would it be very expensive, at a time when retailers were generally highly leveraged, but the lack of information meant that it was impossible to tell whether the purchase was a good economic decision.
71. A third party said that a future business model for TS could work as a pure service operation, provided there was fair and reasonable access to the assets. The acquisition of assets depended in part on whether there were opportunities for new product development. Ownership would avoid the natural tension between the asset owner and the service provider; an asset owner could make it hard for a service provider to offer a good service by putting bureaucratic obstacles in their way.
72. A retailer said that the brewers (as owners of the TSE) could make life very difficult for an independent provider of TS. For example the brewer might require all installation work to be pre-costed in advance. By making it difficult for the provider to replace TSE, the brewer could drive up the number of repair calls the provider of TS had to make, increasing its costs. Difficulties could also arise in relation to charging jobs where ownership of the TSE is shared.
73. A retailer said that it would be easier for an independent supplier to offer a national service if it were to own or lease the TSE. However, in relation to existing TSE, even if a brewer were willing to sell, the purchase of TSE would be difficult due to its varying condition and the unrealistic book values held by the brewers. It would be too expensive to buy and install all new equipment and the consent of the brewers would be required to take out existing equipment.
74. A retailer said that it considered current independent TS providers in effect to be subcontractors who mostly worked for the major brewers. They considered that it would make it impossible for these providers to establish a truly independent business, especially if SDEL owned a majority of the industry's assets.
75. A retailer said that outsourcing TS to a third party was an extremely complicated process due to tensions surrounding asset ownership. The relationship was reliant on the asset owner being 'reasonable', particularly in relation to the labour and cost of equipment matrices. Brewers claimed to be happy to allow third parties to provide TS, but had shown a tendency to make negotiations problematic. Tensions also arose with relation to the age of the equipment and whether it should be replaced or repaired.
76. A retailer said that if brewers were to consolidate their TS supply, there would need to be guaranteed access to others to TSE equipment at a fair price.

77. A retailer said that a triangular arrangement between the retailer, brewer and third party TS provider was necessary when outsourcing TS to a third party.
78. A third party said that entering the TS market would involve significant start-up costs. Key considerations were: how far the price of TS could be separated from the price of beer, how much freedom the pub companies would have to take that money and spend it and whether the price was sufficient to pay an economic price. The geographical density of outlets also had an impact on the cost structure.
79. A TS provider said that smaller businesses did not have the capital to grow. There was no likelihood of a new national player entering the market in TS.
80. A retailer said that to fund the independent provision of TS, it needed to negotiate with each relevant brewer for the cost of TS to be unbundled from the supply of beer.
81. A retailer said that, even where a brewer was prepared in principle to unbundle the cost of TS, it was difficult to negotiate a discount from a brewer that would cover the cost of using an independent provider, not only because the brewer was reluctant to give up supplying TS but because the retailer did not know the actual cost of the TS which was bundled into the price of the beer.
82. A TS provider said that it would be difficult for an independent TS provider to service the independent free trade due to the administration involved. Historically the independent free trade had perceived TS to be provided free of charge.
83. A third party said that the creation of SDEL left enough headroom in the market for it to be worthwhile entering. The Coors merger dampened perceptions of the opportunity. It would be necessary to watch developments such as the unbundling of prices for TS, TSE and beer, the expiry of the legacy beer contracts, asset ownership and access to assets before reappraising the option of entering the market.
84. A third party said that it had seen the announcement of SDEL as a hurdle to the creation of an independent outsourcer. The addition of Coors was regarded as an insurmountable barrier.
85. A third party said that within the major pub chains, where Scotco, Carlsberg and Coors could provide up to 75 per cent of the beers, it would be very difficult for an independent supplier of TS to establish a business based on the remaining servicing requirement. This was not a viable base for an independent entrant.
86. Another third party said that it would need to finalize a deal with more than just one large pub company or one major brewer to get the right density and cover start-up costs.
87. A retailer said that independent suppliers would generally choose to enter the market in partnership with national brewers rather than with pubcos which did not offer the critical mass required. It noted that the provision of national coverage required considerable critical mass in order to be cost effective, particularly in areas of low density.
88. A retailer said that an effective TS supplier was one who could supply a nationwide service. Using a range of regional suppliers would be complicated
89. A third party said that in order to establish a viable TS business they would need to operate on a national basis. They considered that a business could not successfully

be created by providing TS to small independent retailers or to regional, vertically integrated pub chains.

90. A retailer said that it would only work with a national supplier of TS because it needed consistent service levels, validated by the breweries, and consistent ordering policies. Regional suppliers varied widely in terms of quality and of price, in part because of the different density in different regions. Using regional suppliers would also make the relationship more cumbersome and difficult to manage. There would in consequence be greater potential for things to go wrong.
91. A TS provider said that it worked mainly as subcontractors for breweries and did not work directly with pubcos or individual pubs. Individual pubs were a significant bad debt risk and the pub chains wanted a national service while this provider preferred to remain regional. In a regional operation supply chains were much shorter and transport costs much less. It was easier to achieve consistent quality of service and to provide a service tailored to the strong regional preferences in beer that exist.
92. A TS provider said that expanding geographical range and the range of services offered could cause difficulties in building up a consistent workload in the new regions. Offering brewers a complete technical service provision required huge financial resources.
93. A brewer said that competitive advantage in the independent free trade market can be seen to come from using local TS contractors with good local knowledge.
94. A TS provider said that it was fairly easy for a technician to set up on his own, establish a foothold and expand. The main constraint on new businesses was the shortage of qualified technicians. It took anything up to two years to train a technician in the full range of skills.

Pricing and competition

95. A retailer, a TS provider and TS technicians said that there was some potential for technicians to be used as sales representatives but the TS provider did not think that this could be used to block access to the bar for independent brewers.
96. A brewer said that control of technical services and equipment could be seen to give competitive advantage in terms of the placement of branded dispense equipment on the bar. It considered that technicians could potentially influence placement.
97. Technicians told us that brewers traditionally use their own staff to service customers and use contractors for installation and out-of-hours work. This is because servicing is the most customer-facing part of the work.
98. A retailer said that managed pubs had centralised control of bar layout, whereas tenanted pubs could potentially negotiate layout with a TS service technician.
99. Technicians said that TS can be a strong selling point for a beer brand and accounts have been won or lost because of it. Technicians are encouraged to build a strong rapport with customers, especially in the free trade, to retain their loyalty and encourage take-up of new products.
100. Constellation said that any drinks company that dispenses could not afford to get TS and TSE wrong from a brand perspective but it was not considered to be a significant competitive advantage.

101. A brewer said that there appeared to be a trend towards pub companies requesting unbundled beer prices, with all service and marketing costs stripped out. To date, the main cost that had been stripped out was distribution.
102. A brewer said that it expected the trend of retailers requesting separate charges for technical services to continue.
103. A retailer said that the cost of TS from a brewer was difficult to establish due to the historical practice of bundling this cost with beer prices. Brewers have been reluctant to unbundle prices.
104. Technicians said that the brewers knew what proportion of the price of beer is the price of TS since they will use this fact in pay negotiations. The proportion does however vary between customers as the beer price was related to volume of sales whereas this was less true of the price of TS.
105. A brewer said that it had had a debate with a pubco which wanted to contract out TS support, but the charge for TS was, in the brewers' view, 50 per cent too high if the existing equipment and service specifications were not altered.
106. A third party said that TS would be priced to cover the cost of replacement parts, labour costs, the overhead on the necessary infrastructure (eg call centre, IT systems) and the cost of financing the asset provision.
107. A brewer said that it was logical to link the cost of TS provision with the volume of beer consumed (on a per barrel basis).
108. A third party, a TS provider, a retailer, two brewers, and SIBA were asked to estimate the combined price per barrel of TSE and TS. Estimates ranged from £5 to £8.
109. A brewer said that there was a wholesale list price for beer, and discounts were agreed against that list price. There were some retrospective discounts, but these were becoming less common in national accounts.
110. A retailer said that in a case where it required a higher specification of TSE to dispense a particular product, it was forced to source this equipment independently of their principal supplier who had refused to supply.
111. A brewer said that in some of its beer supply agreements, it had negotiated separate agreements for the supply of technical services, distribution, technical planning and order taking. This process was effectively more transparent than in traditional historic agreements within the independent free trade.
112. A brewer said that it would not give discounts where a retailer wished to outsource their TS provision unless the retailer was prepared to buy the assets because it saw asset ownership and servicing as inextricably linked.
113. A retailer said that where brewers were prepared to reimburse the cost of TS (in the case of a retailer purchasing TS from a third party), the amount reimbursed was estimated to be less than half the brewers' own internal costs for TS.
114. A TS provider said that it would target managed rather than tenanted estates because of the greater volumes of beer sold and the greater stability of the publicans. The tenanted pubs were the bottom end of the market.
115. A brewer said that it would not be prepared to provide TSE or TS to a retailer without also having a beer supply agreement.

116. A retailer said that it felt it could nominate a new principal supplier if they felt that the current service levels provided were too low, and that this situation encouraged competition within the TS market. It was confident that the principal supplier could be changed regardless of the number of founts or the beer volume dispensed by a supplier.
117. A third party said that it did not consider the major brewers to be competing for provision of TS. It believed the major brewers did not wish to invest in what was considered to be non-core business.
118. CAMRA said that Coors and Interbrew probably were competitors to SDEL/ Innserve in technical services, but that it was not a high priority for them. They really competed on brands.

Effects of the merger

119. A retailer said that if the merger went ahead Innserve would be responsible for 90 per cent of its TSE and there would be no credible alternative to them.
120. Technicians said that the merger would leave Innserve servicing eight out of the nine top-selling brands in the UK and controlling over 60 per cent of the market. Independent suppliers would have their margins squeezed and retailers would have little choice of supplier.
121. A brewer said that although the initial aim of the merger would seem to be to create efficiencies, there was a concern that the brewers involved would use their position to gain competitive advantage.
122. SIBA said that the independent retailers would increasingly have little choice but to rely on SDEL/Innserve for TS and TSE. In these circumstances it could be expected that prices for TS would rise and the quality of service decline. This view was shared by CAMRA.
123. A retailer said that if the major brewers were allowed to merge their TS functions, there was a danger that the service level of the combined entity would be established at the lowest common denominator.
124. A retailer said that current service levels provided by Scottish Courage, which were considerably lower than those provided by an independent TS supplier, would form the intended service level agreements for SDEL and Innserve.
125. A retailer said that retailers would lose any leverage relating to price and service levels. The current arrangement between Scotco and Carlsberg had not produced any benefits in terms of efficiencies, standards or prices for retailers so the potential merger with Coors was unlikely to produce these.
126. CAMRA said that the merger has potential benefits in that the new organisation might be more efficient at maintaining dispense equipment but these potential benefits did not outweigh the risks.
127. A third party said that the service provider created by the merger might be able to offer favourable prices to shareholder brands and undercut the competition.
128. A brewer said that the merger would effectively remove the single largest competitor to Innserve in the provision of technical services (the in-house function of Coors).

129. A brewer said that the merger would negatively affect independent service providers who would lack the geographic coverage of Innserve and would also require the permission of SDEL to service its equipment
130. A trade association said that the buying power of the post-merger SDEL could be used to force down the margins of manufacturers and TS suppliers.
131. A TS provider said that the merger would put the brewers in a strong position to make it difficult for TS sub-contractors.
132. A retailer said that by owning the majority of dispense equipment, SDEL could specify who was allowed to maintain the equipment, stipulate the cost to change, restrict competitors and prevent independent service providers from competing in the market. They also believe that customers who became locked in by SDEL would then be vulnerable to under investment in equipment, escalating prices or deteriorating service from Innserve.
133. A retailer said that the merger would block entry to the market by third party TS providers.
134. A brewer said that after the merger the market for TS subcontractors was likely to shrink as Innserve was more likely to use in-house staff due to scale advantages.
135. A TS provider said that it would very much welcome the merger since they would have only one company—Innserve—to deal with rather than three breweries. This would save time and enable it to streamline its operations. It regarded Innserve as a facilitator rather than a competitor. It had no interest in playing the breweries off against each other because it needed to deal with all three to maintain the geographical density that its business required.
136. A trade association said that there might be increased opportunities for TS providers to set up networks and offer services over a larger area.
137. A third party said that following the merger, there was likely to be some rationalization in the range of TSE manufacturers used.
138. A trade association said that, should the merger go through the participating brewers might 'sweat' the assets to maximize returns with little purchasing in the meantime.
139. A retailer said that it was concerned that following the merger SDEL could potentially both increase prices for leasing of assets, and charge different prices to other brewers than they charge their own shareholders. They were concerned that if the equipment was owned by a non-brewer third party, they would be looking at the business from a return on assets rather than beer quality perspective.
140. A TS provider said that the merger was unlikely to make it harder for Interbrew to get its beer in pubs.
141. A brewer said that although in the past 'principal suppliers' under the FBI did not appear to have used their position to make it more difficult for other brewers to get their beer into a pub, this could happen in the future.
142. A retailer said that currently the retailer pays the principal supplier for provision of hand pumps to dispense product supplied by other brewers. The proposed merger would give SDEL more purchasing power and would make it possible for it to increase the price of hand pump equipment. As a vehicle of Scotco, Carlsberg and

Coors, SDEL would not have any incentive to maintain hand pull equipment to dispense cask ale.

143. CAMRA said that the pooling of TS and TSE was one of a number of factors that might make it easier for the participating brewers to block smaller brewers from their outlets as used to happen in the early 1990s.
144. A trade association said that TSE would become increasingly standardised by the brewers. There would be less spent on R&D and correspondingly less innovation. Niche businesses would be squeezed out.
145. Technicians said that the creation of Innserve would stifle innovation because no participating brewer would be able to road test an innovative product without the other brewers immediately finding out about it.
146. CAMRA also predicted a decline in innovation.
147. A brewer said that the merger would effectively reduce the number of parties participating in the FBI if SDEL chose to represent Scotco, Carlsberg and Coors, and that this could mean that SDEL would have the ability to force through changes to pricing through changes to the FBI pricing which is used within the industry.
148. A retailer, Constellation, a TS provider and a trade association all said that the FBI would probably be dismantled in the event of the merger going ahead because it would be redundant.
149. Constellation said that if the merger went ahead it would try and become part of SDEL. It indicated that companies denied membership might be expected to set up a rival organization with others left outside (provided that there were sufficient others to make such a rival organization viable).
150. A brewer told us that if the merger went ahead, smaller brewers would have little choice but to try and join Innserve, as they would not be big enough to wield any power.

Suggested remedies

151. CAMRA suggested that, should the merger go through the parties should be required to:
 - i. allow any pub chain, independent licensee or other brewery to purchase TSE from SDEL,
 - ii. show the price of TS and TSE separately from the price of beer when negotiating sales.
152. Constellation said that if the merger was allowed through the Competition Commission should impose conditions that would either require SDEL/Innserve to allow drinks companies which dispense to join it or would require them to give competitors access at a reasonable price to the outlets to which they were principal suppliers.
153. A retailer said that it would be even more concerned to see an SDEL model that was not owned by brewers.